



OFFICE OF
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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CC:INTL:B01: [REDACTED]
GENIN-129463-03



Attention: [REDACTED]

Dear [REDACTED]:

Reference: Federal Excise Taxes & the "September Rule"

This responds to your letter to the Commissioner of the Internal Revenue Service dated April 23, 2003, regarding the timing of certain excise tax payments that your company is required to make. In response your inquiry, we are providing the following general information. This information letter is advisory only and has no binding effect on the Internal Revenue Service.

You have requested an explanation for the requirement that three excise tax deposits are required in the month of September, while only two payments are required in each of the other eleven months of the year. You have asked why the requirement should be different in September than during the other months.

As you are probably aware, information concerning the payment of excise taxes for 2003, including a description of the so-called "September rule", can be found on the internet at <http://www.irs.gov/pub/irs-pdf/p510.pdf>. As you correctly describe in your letter, excise tax deposits determined under the regular method are due on a semimonthly basis, generally by the 29th day of the month for the first semimonthly period (i.e. deposit for April 1-15 is due by April 29) and by the 14th day of the following month for the second semimonthly period (i.e. April 16-30 is due by May 14). But in September, the deposits corresponding to both the period September 1-15 and the period September 16-26 are due by September 29, and there is in fact a third monthly period, September 27-30, the deposit for which is due by October 14. We hope the following information will be helpful in explaining to you the origin, statutory basis, and rationale of the "September rule".

GENIN-129463-03

The 1% excise tax on reinsurance premiums, which you refer to specifically in your letter, is an excise tax imposed under subtitle D of the Internal Revenue Code ("Code"). Code section 6302(f), entitled "Time for deposit of certain excise taxes", provides, in pertinent part:

Except as otherwise provided in this subsection and subsection (e), if any person is required under regulations to make deposits of taxes under subtitle D with respect to semimonthly periods, such person shall make deposits of such taxes for the period beginning on September 16 and ending on September 26 not later than September 29.

Treasury Regulation Section 40.6302(c)-2 describes in greater detail the "Special rules for September" and provides more specific information about how to determine the amount of the deposit for the special September period.

Code Section 6302 was enacted on December 8, 1994 as Section 712(a) of P.L. 103-465, commonly known as the Uruguay Round Agreements Act ("Act"). According to the House report accompanying the Act, this section was included as one of several financing provisions enacted to offset the projected cost of implementing the Uruguay Round legislation. The purpose of the special September 16-26 period is to accelerate to September 29 the due date for the related deposit. Prior to the Act the due date had been in October, which is in the subsequent fiscal year because the federal government's fiscal year ends on September 30. The House report describes the reason for this change as follows¹:

Requiring excise taxes that must be deposited on a semi-monthly basis to be deposited during the fiscal year to which the taxes relate would provide substantial additional revenue without imposing significant burdens on taxpayers...

We hope this explanation of the origin and rationale of the September rule will be helpful to you. If you should have any further questions in this matter, please contact [REDACTED] at [REDACTED]

Sincerely,

W. Edward Williams
Senior Technical Reviewer, Branch 1

¹ H.R. REP. NO. 826, 103rd Cong., 2nd Sess., pt. 1, at 176 (1994).

GENIN-129463-03

Office of Associate Chief Counsel
(International)